



**MONTGOMERY COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-62
August 27, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2004

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Montgomery, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Montgomery County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The schedule of expenditures of federal awards did not accurately report expenditures of some federal programs. Total federal expenditures were understated by approximately \$45,000 and \$30,000 for 2003 and 2002, respectively.
- The county incurred engineering costs of \$27,048 for a federal bridge project during the two years ended December 31, 2003. There was no documentation that the County Commission considered other engineering firms when procuring engineering services for this project, as required by state law.
- Actual disbursements exceeded the budgeted amounts in various funds. Budgeted amounts for the General Revenue Fund were exceeded by \$21,481 for the year ended December 31, 2003. Budgeted amounts for the Capital Improvements Fund were exceeded by \$9,500 and \$30,983, respectively, for the years ended December 31, 2003 and 2002.
- The county does not adequately review fuel charges and does not have a written policy on whether a road and bridge employee should be provided a vehicle at the county's expense. In addition, Sheriff department employees have been provided meals at no cost from the jail.
- The public administrator's salary was set at 90 percent of the salary provided by state law to correspond with the percentage of the maximum salaries paid to other officials. There was no legal documentation supporting whether the public administrator should receive the minimum salary provided by state law or a percentage of the minimum.

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YELLOW SHEET

- The county has not established procedures to maximize interest earnings and has not entered into written agreements with some of its depository banks.
- The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Montgomery County during the years ended December 31, 2003 and 2002.
- Several concerns were noted in the Sheriff's fee account procedures. An open-items (liabilities) listing is not prepared and reconciled to the cash balance on a monthly basis. At December 31, 2003, the reconciled cash balance was \$6,242 which included \$1,083 of unknown open items. The Sheriff's office uses county-owned vehicles to transport prisoners on county time. Although the county pays all costs related to transporting prisoners, the state's reimbursement check is deposited into the fee account and the mileage and per diem reimbursements are disbursed to the individuals transporting prisoners.
- Several concerns were noted in the Sheriff's inmate and commissary procedures. Receipt slips are not issued immediately upon receipt, some receipts are not properly recorded in the accounting records, and receipts are not deposited timely. In some instances, the actual cash or money order received is returned to the inmate and the inmate's signature is not obtained to document the monies were returned. The Sheriff's office does not maintain a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances.

Also included in the audit were recommendations to improve the county's procedures related to general fixed assets. The audit also suggested improvements in the procedures of the Associate Circuit/Probate Division and the Health Center.

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MONTGOMERY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Montgomery County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Montgomery County, Missouri, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Montgomery County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2003 and 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 8, 2004, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Montgomery County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 8, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Jeffrey Wilson
Audit Staff:	Keriann Wright
	Chad Hampton



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Montgomery County, Missouri

We have audited the financial statements of various funds of Montgomery County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Montgomery County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Montgomery County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the

financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Montgomery County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 8, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

MONTGOMERY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 160,647	2,508,992	2,415,425	254,214
Special Road and Bridge	661,308	1,613,483	1,552,053	722,738
Assessment	503	168,245	167,357	1,391
Dare/Pride	2,316	468	0	2,784
Emergency Preparedness	14,246	87,371	47,328	54,289
Emergency 911	123,551	114,241	134,878	102,914
Prosecuting Attorney Bad Check	17,056	5,700	2,944	19,812
Capital Improvements	344,564	385,674	437,996	292,242
Law Enforcement Training	12,046	2,731	9,526	5,251
Prosecuting Attorney Training	18,607	981	2,585	17,003
Johnson Grass	5,768	0	0	5,768
Recorder User Fee	13,204	10,398	5,235	18,367
Sheriff's Forfeiture	7,855	67	0	7,922
Local Emergency Planning Commission	21,390	6,938	2,351	25,977
Post Commission	1,384	1,371	1,359	1,396
Sheriff's Operations	55,813	42,961	32,241	66,533
Election Services	12,708	4,351	4,053	13,006
Children's Trust	3,127	343	1,000	2,470
Courthouse Annex	77,610	52,229	19,433	110,406
Recorder's Technology	6,194	4,773	0	10,967
Health Center	554,580	568,301	515,237	607,644
Collector's Tax Maintenance	2,140	17,707	3,684	16,163
Prosecuting Attorney Delinquent Tax	7,086	37	3,861	3,262
Law Library	8,811	6,398	3,846	11,363
Circuit Clerk Interest	4,113	227	1,393	2,947
Division II Interest	15,646	144	0	15,790
Reserve Fund-General Revenue	0	200,000	0	200,000
Juvenile Assessment	4,070	38	0	4,108
Total	\$ 2,156,343	5,804,169	5,363,785	2,596,727

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MONTGOMERY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 22,863	2,244,717	2,106,933	160,647
Special Road and Bridge	466,487	1,391,384	1,196,563	661,308
Assessment	229	167,233	166,959	503
Dare/Pride	2,128	338	150	2,316
Emergency Preparedness	15,571	47,004	48,329	14,246
Emergency 911	111,629	113,106	101,184	123,551
Prosecuting Attorney Bad Check	11,459	7,509	1,912	17,056
Capital Improvements	325,368	453,139	433,943	344,564
Law Enforcement Training	18,361	3,559	9,874	12,046
Prosecuting Attorney Training	19,710	1,117	2,220	18,607
Johnson Grass	5,768	0	0	5,768
Recorder User Fee	11,327	9,472	7,595	13,204
Sheriff's Forfeiture	8,119	136	400	7,855
Local Emergency Planning Commission	20,004	6,825	5,439	21,390
Post Commission	823	2,199	1,638	1,384
Sheriff's Operations	33,240	47,227	24,654	55,813
Election Services	15,152	4,485	6,929	12,708
Children's Trust	3,651	476	1,000	3,127
Courthouse Annex	49,468	44,584	16,442	77,610
Recorder's Technology	1,669	4,525	0	6,194
Health Center	402,235	644,985	492,640	554,580
Prosecuting Attorney Delinquent Tax	6,975	111	0	7,086
Law Library	7,425	8,225	6,839	8,811
Circuit Clerk Interest	4,598	289	774	4,113
Division II Interest	15,903	877	1,134	15,646
Collector's Tax Maintenance	0	2,140	0	2,140
Juvenile Assessment	3,951	119	0	4,070
Total	\$ 1,584,113	5,205,781	4,633,551	2,156,343

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 5,304,837	5,604,131	299,294	5,100,449	5,203,522	103,073
DISBURSEMENTS	5,713,189	5,363,785	349,404	5,170,380	4,633,551	536,829
RECEIPTS OVER (UNDER) DISBURSEMENTS	(408,352)	240,346	648,698	(69,931)	569,971	639,902
CASH, JANUARY 1	2,152,273	2,152,273	0	1,580,629	1,580,162	(467)
CASH, DECEMBER 31	1,743,921	2,392,619	648,698	1,510,698	2,150,133	639,435
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	375,677	384,394	8,717	383,822	381,905	(1,917)
Sales taxes	1,003,292	951,294	(51,998)	912,577	919,445	6,868
Intergovernmental	122,535	104,815	(17,720)	120,257	112,495	(7,762)
Charges for services	834,678	999,959	165,281	746,000	773,056	27,056
Interest	6,000	4,300	(1,700)	4,500	6,444	1,944
Other	6,920	16,155	9,235	18,210	19,951	1,741
Transfers in	48,000	48,075	75	38,752	31,421	(7,331)
Total Receipts	2,397,102	2,508,992	111,890	2,224,118	2,244,717	20,599
DISBURSEMENTS						
County Commissior	88,713	88,528	185	82,563	82,922	(359)
County Clerk	104,841	99,875	4,966	99,345	97,206	2,139
Elections	0	0	0	20,000	19,842	158
Buildings and grounds	107,096	108,273	(1,177)	81,177	87,474	(6,297)
County Treasurer	37,021	32,764	4,257	33,365	32,599	766
County Collector	76,715	68,229	8,486	71,706	70,189	1,517
Recorder of Deeds	72,465	58,162	14,303	33,341	29,881	3,460
Circuit Clerk	19,605	9,300	10,305	14,165	26,495	(12,330)
Associate Circuit Court	21,695	17,190	4,505	19,854	17,955	1,899
Court administration	16,945	13,289	3,656	19,574	14,189	5,385
Public Administrator	23,311	23,414	(103)	20,653	20,754	(101)
Sheriff	448,792	424,323	24,469	384,372	372,389	11,983
Jail	573,761	578,678	(4,917)	559,774	545,378	14,396
Prosecuting Attorney	131,675	119,071	12,604	111,177	99,781	11,396
Juvenile Officer	44,846	40,195	4,651	52,847	43,306	9,541
County Coroner	17,133	17,977	(844)	17,033	12,862	4,171
Court Reporter	3,300	490	2,810	2,650	832	1,818
Dispatch	184,173	182,577	1,596	185,448	196,452	(11,004)
Prosecuting Attorney IV-D Child Support	51,083	50,012	1,071	47,439	47,807	(368)
Planning and Zoning	41,448	36,397	5,051	35,463	32,126	3,337
MoSmart Grant	40,737	39,447	1,290	47,302	41,933	5,369
Debt service	0	0	0	45,260	45,298	(38)
Other	179,450	179,234	216	156,775	158,263	(1,488)
Transfers out						
General Revenue Reserve	0	200,000	(200,000)	0	0	0
Assessment Func	39,500	28,000	11,500	23,000	11,000	12,000
Emergency Func	69,639	0	69,639	65,745	0	65,745
Total Disbursements	2,393,944	2,415,425	(21,481)	2,230,028	2,106,933	123,095
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,158	93,567	90,409	(5,910)	137,784	143,694
CASH, JANUARY 1	160,647	160,647	0	22,863	22,863	0
CASH, DECEMBER 31	163,805	254,214	90,409	16,953	160,647	143,694

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	728,455	730,687	2,232	720,478	715,761	(4,717)
Intergovernmental	757,690	870,465	112,775	799,100	614,826	(184,274)
Interest	12,000	10,270	(1,730)	12,000	15,848	3,848
Sale of equipment	0	0	0	0	39,750	39,750
Other	4,000	2,061	(1,939)	5,000	5,199	199
Total Receipts	1,502,145	1,613,483	111,338	1,536,578	1,391,384	(145,194)
DISBURSEMENTS						
Salaries	504,593	478,221	26,372	491,599	446,702	44,897
Supplies	125,000	125,010	(10)	130,000	107,678	22,322
Insurance	30,000	26,454	3,546	28,763	26,463	2,300
Road and bridge materials	301,000	267,999	33,001	285,000	261,790	23,210
Equipment repairs	65,000	67,721	(2,721)	70,000	48,866	21,134
Rentals	4,000	185	3,815	3,000	0	3,000
Equipment purchases	180,000	206,351	(26,351)	150,000	139,276	10,724
Construction, repair, and maintenance	457,000	244,756	212,244	325,500	44,193	281,307
Uniforms	0	6,157	(6,157)	0	10,953	(10,953)
Wellsville road district	0	64,016	(64,016)	0	62,602	(62,602)
Rhineland road district	0	22,108	(22,108)	0	21,619	(21,619)
Transfers out	30,000	43,075	(13,075)	33,752	26,421	7,331
Total Disbursements	1,696,593	1,552,053	144,540	1,517,614	1,196,563	321,051
RECEIPTS OVER (UNDER) DISBURSEMENTS	(194,448)	61,430	255,878	18,964	194,821	175,857
CASH, JANUARY 1	661,308	661,308	0	466,487	466,487	0
CASH, DECEMBER 31	466,860	722,738	255,878	485,451	661,308	175,857
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	144,363	136,658	(7,705)	146,946	151,508	4,562
Charges for services	2,200	3,214	1,014	2,200	2,917	717
Interest	500	245	(255)	1,300	540	(760)
Other	0	128	128	0	1,268	1,268
Transfers in	39,500	28,000	(11,500)	23,000	11,000	(12,000)
Total Receipts	186,563	168,245	(18,318)	173,446	167,233	(6,213)
DISBURSEMENTS						
Assessor	186,666	167,357	19,309	173,439	166,959	6,480
Total Disbursements	186,666	167,357	19,309	173,439	166,959	6,480
RECEIPTS OVER (UNDER) DISBURSEMENTS	(103)	888	991	7	274	267
CASH, JANUARY 1	503	503	0	229	229	0
CASH, DECEMBER 31	400	1,391	991	236	503	267

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DARE/PRIDE FUND</u>						
RECEIPTS						
Interest	25	21	(4)	25	37	12
Other	0	447	447	0	301	301
Total Receipts	25	468	443	25	338	313
DISBURSEMENTS						
Office	1,800	0	1,800	1,500	150	1,350
Total Disbursements	1,800	0	1,800	1,500	150	1,350
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,775)	468	2,243	(1,475)	188	1,663
CASH, JANUARY 1	2,316	2,316	0	2,128	2,128	0
CASH, DECEMBER 31	541	2,784	2,243	653	2,316	1,663
<u>EMERGENCY PREPAREDNESS FUND</u>						
RECEIPTS						
Intergovernmental	11,300	13,562	2,262	3,428	11,328	7,900
Charges for service:	35,000	73,500	38,500	35,000	35,000	0
Interest	500	282	(218)	500	594	94
Other	20	27	7	20	82	62
Total Receipts	46,820	87,371	40,551	38,948	47,004	8,056
DISBURSEMENTS						
Salaries	33,166	32,852	314	29,199	30,699	1,500
Office expenditures:	8,995	4,248	4,747	7,500	5,842	(1,658)
Equipment	4,200	1,921	2,279	3,400	5,272	1,872
Mileage and training	1,700	2,444	(744)	1,200	1,191	(9)
Other	6,000	863	5,137	5,800	325	(5,475)
Transfer out	5,000	5,000	0	5,000	5,000	0
Total Disbursements	59,061	47,328	11,733	52,099	48,329	3,770
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,241)	40,043	52,284	(13,151)	(1,325)	11,826
CASH, JANUARY 1	14,246	14,246	0	15,571	15,571	0
CASH, DECEMBER 31	2,005	54,289	52,284	2,420	14,246	11,826
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for service:	106,500	112,205	5,705	110,300	110,186	(114)
Interest	1,500	1,052	(448)	1,800	2,000	200
Other	800	984	184	800	920	120
Total Receipts	108,800	114,241	5,441	112,900	113,106	206
DISBURSEMENTS						
Salaries	77,814	76,468	1,346	87,921	47,885	40,036
Telephone	50,000	48,999	1,001	50,000	45,540	4,460
Equipment	45,000	8,399	36,601	6,000	6,187	(187)
Supplies	2,000	1,012	988	1,450	1,572	(122)
Other	0	0	0	6,700	0	6,700
Total Disbursements	174,814	134,878	39,936	152,071	101,184	50,887
RECEIPTS OVER (UNDER) DISBURSEMENTS	(66,014)	(20,637)	45,377	(39,171)	11,922	51,093
CASH, JANUARY 1	123,551	123,551	0	111,629	111,629	0
CASH, DECEMBER 31	57,537	102,914	45,377	72,458	123,551	51,093

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	7,200	5,566	(1,634)	7,000	7,294	294
Interest	215	134	(81)	250	215	(35)
Total Receipts	7,415	5,700	(1,715)	7,250	7,509	259
DISBURSEMENTS						
Salaries	1,077	0	1,077	5,417	233	5,184
Supplies	500	212	288	1,000	65	935
Equipment	5,200	2,347	2,853	1,000	708	292
Other	1,000	385	615	1,500	906	594
Total Disbursements	7,777	2,944	4,833	8,917	1,912	7,005
RECEIPTS OVER (UNDER) DISBURSEMENTS	(362)	2,756	3,118	(1,667)	5,597	7,264
CASH, JANUARY 1	17,056	17,056	0	11,459	11,459	0
CASH, DECEMBER 31	16,694	19,812	3,118	9,792	17,056	7,264
<u>CAPITAL IMPROVEMENTS FUND</u>						
RECEIPTS						
Sales tax	401,232	379,011	(22,221)	396,823	397,259	436
Interest	10,000	6,337	(3,663)	9,350	10,228	878
General Revenue loan repaymen	0	0	0	45,300	45,298	(2)
Other	350	326	(24)	250	354	104
Total Receipts	411,582	385,674	(25,908)	451,723	453,139	1,416
DISBURSEMENTS						
Salaries	28,709	27,815	894	23,320	23,742	(422)
Equipment	42,887	25,439	17,448	20,000	21,816	(1,816)
Debt service	322,000	325,255	(3,255)	324,740	311,542	13,198
Lease purchase agreemen	29,900	29,900	0	29,900	29,900	0
Improvements, repair, and upkeep	0	24,061	(24,061)	0	42,055	(42,055)
Other	5,000	5,526	(526)	5,000	4,888	112
Total Disbursements	428,496	437,996	(9,500)	402,960	433,943	(30,983)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,914)	(52,322)	(35,408)	48,763	19,196	(29,567)
CASH, JANUARY 1	344,564	344,564	0	325,368	325,368	0
CASH, DECEMBER 31	327,650	292,242	(35,408)	374,131	344,564	(29,567)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	3,000	2,644	(356)	3,500	3,284	(216)
Interest	250	87	(163)	200	275	75
Total Receipts	3,250	2,731	(519)	3,700	3,559	(141)
DISBURSEMENTS						
Sheriff	14,000	9,526	4,474	14,700	9,874	4,826
Total Disbursements	14,000	9,526	4,474	14,700	9,874	4,826
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,750)	(6,795)	3,955	(11,000)	(6,315)	4,685
CASH, JANUARY 1	12,046	12,046	0	18,361	18,361	0
CASH, DECEMBER 31	1,296	5,251	3,955	7,361	12,046	4,685

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	800	851	51	1,000	814	(186)
Interest	300	130	(170)	250	303	53
Total Receipts	1,100	981	(119)	1,250	1,117	(133)
DISBURSEMENTS						
Prosecuting Attorney	3,000	2,585	415	3,500	2,220	1,280
Total Disbursements	3,000	2,585	415	3,500	2,220	1,280
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,900)	(1,604)	296	(2,250)	(1,103)	1,147
CASH, JANUARY 1	18,607	18,607	0	19,710	19,710	0
CASH, DECEMBER 31	16,707	17,003	296	17,460	18,607	1,147
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Interest	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Supplies	100	0	100	100	0	100
Total Disbursements	100	0	100	100	0	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	0	100	(100)	0	100
CASH, JANUARY 1	5,768	5,768	0	5,768	5,768	0
CASH, DECEMBER 31	5,668	5,768	100	5,668	5,768	100
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for service:	7,600	8,629	1,029	6,000	9,307	3,307
Interest	200	119	(81)	0	165	165
Other	0	1,650	1,650	0	0	0
Total Receipts	7,800	10,398	2,598	6,000	9,472	3,472
DISBURSEMENTS						
Recorder of Deeds	20,000	5,235	14,765	17,000	7,595	9,405
Total Disbursements	20,000	5,235	14,765	17,000	7,595	9,405
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,200)	5,163	17,363	(11,000)	1,877	12,877
CASH, JANUARY 1	13,204	13,204	0	11,327	11,327	0
CASH, DECEMBER 31	1,004	18,367	17,363	327	13,204	12,877

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S FORFEITURE FUND</u>						
RECEIPTS						
Interest	100	67	(33)	0	136	136
Total Receipts	100	67	(33)	0	136	136
DISBURSEMENTS						
Equipment	5,000	0	5,000	6,500	400	6,100
Total Disbursements	5,000	0	5,000	6,500	400	6,100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,900)	67	4,967	(6,500)	(264)	6,236
CASH, JANUARY 1	7,855	7,855	0	8,119	8,119	0
CASH, DECEMBER 31	2,955	7,922	4,967	1,619	7,855	6,236
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Interest	340	181	(159)	400	332	(68)
Contributions	5,900	6,757	857	4,000	6,493	2,493
Total Receipts	6,240	6,938	698	4,400	6,825	2,425
DISBURSEMENTS						
Equipment	15,000	1,778	13,222	7,000	3,667	3,333
Mileage and training	12,000	573	11,427	6,200	1,772	4,428
Other	630	0	630	300	0	300
Total Disbursements	27,630	2,351	25,279	13,500	5,439	8,061
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,390)	4,587	25,977	(9,100)	1,386	10,486
CASH, JANUARY 1	21,390	21,390	0	20,004	20,004	0
CASH, DECEMBER 31	0	25,977	25,977	10,904	21,390	10,486
<u>POST COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	1,700	1,360	(340)	1,900	2,184	284
Other	0	11	11	0	15	15
Total Receipts	1,700	1,371	(329)	1,900	2,199	299
DISBURSEMENTS						
Other	1,700	1,359	341	1,900	1,638	262
Total Disbursements	1,700	1,359	341	1,900	1,638	262
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	12	12	0	561	561
CASH, JANUARY 1	1,384	1,384	0	823	823	0
CASH, DECEMBER 31	1,384	1,396	12	823	1,384	561

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S OPERATIONS FUND</u>						
RECEIPTS						
Charges for service:	48,390	42,398	(5,992)	16,390	46,517	30,127
Interest	700	563	(137)	250	710	460
Total Receipts	49,090	42,961	(6,129)	16,640	47,227	30,587
DISBURSEMENTS						
Supplies	2,000	1,616	384	1,600	1,575	25
Equipment	23,500	17,868	5,632	24,402	19,401	5,001
Grant match	6,500	4,257	2,243	4,500	3,632	868
Other	8,500	8,500	0	0	46	(46)
Total Disbursements	40,500	32,241	8,259	30,502	24,654	5,848
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,590	10,720	2,130	(13,862)	22,573	36,435
CASH, JANUARY 1	55,813	55,813	0	33,240	33,240	0
CASH, DECEMBER 31	64,403	66,533	2,130	19,378	55,813	36,435
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for service:	1,000	4,240	3,240	1,425	4,292	2,867
Interest	100	111	11	100	193	93
Total Receipts	1,100	4,351	3,251	1,525	4,485	2,960
DISBURSEMENTS						
Telephone	170	152	18	200	183	17
Equipment	9,640	3,716	5,924	6,300	5,860	440
Supplies	1,000	185	815	2,450	486	1,964
Other	0	0	0	0	400	(400)
Total Disbursements	10,810	4,053	6,757	8,950	6,929	2,021
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,710)	298	10,008	(7,425)	(2,444)	4,981
CASH, JANUARY 1	12,708	12,708	0	15,152	15,152	0
CASH, DECEMBER 31	2,998	13,006	10,008	7,727	12,708	4,981
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for service:	400	315	(85)	400	410	10
Interest	65	28	(37)	120	66	(54)
Total Receipts	465	343	(122)	520	476	(44)
DISBURSEMENTS						
Other	1,000	1,000	0	1,000	1,000	0
Total Disbursements	1,000	1,000	0	1,000	1,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(535)	(657)	(122)	(480)	(524)	(44)
CASH, JANUARY 1	3,127	3,127	0	3,651	3,651	0
CASH, DECEMBER 31	2,592	2,470	(122)	3,171	3,127	(44)

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COURTHOUSE ANNEX FUND</u>						
RECEIPTS						
Rent income	43,540	51,457	7,917	47,499	43,541	(3,958)
Interest	1,000	772	(228)	700	1,043	343
Total Receipts	44,540	52,229	7,689	48,199	44,584	(3,615)
DISBURSEMENTS						
Salaries	6,119	5,935	184	0	0	0
Supplies	2,175	875	1,300	400	0	400
Utilities	8,500	6,143	2,357	7,370	8,070	(700)
Repairs and upkeep	10,000	3,855	6,145	10,000	3,494	6,506
Other	2,500	2,625	(125)	5,752	4,878	874
Total Disbursements	29,294	19,433	9,861	23,522	16,442	7,080
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,246	32,796	17,550	24,677	28,142	3,465
CASH, JANUARY 1	77,610	77,610	0	49,468	49,468	0
CASH, DECEMBER 31	92,856	110,406	17,550	74,145	77,610	3,465
<u>RECORDER'S TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for service:	4,750	4,705	(45)	4,504	4,465	(39)
Interest	100	68	(32)	8	60	52
Total Receipts	4,850	4,773	(77)	4,512	4,525	13
DISBURSEMENTS						
Equipment	10,500	0	10,500	0	0	0
Other	0	0	0	4,504	0	4,504
Total Disbursements	10,500	0	10,500	4,504	0	4,504
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,650)	4,773	10,423	8	4,525	4,517
CASH, JANUARY 1	6,194	6,194	0	1,669	1,669	0
CASH, DECEMBER 31	544	10,967	10,423	1,677	6,194	4,517

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	188,000	194,177	6,177	198,000	211,119	13,119
Intergovernmental	120,400	139,503	19,103	116,000	132,162	16,162
Charges for service:	183,800	196,431	12,631	133,100	285,177	152,077
Interest	11,800	12,473	673	12,100	11,870	(230)
Other	2,500	25,717	23,217	2,500	4,657	2,157
Total Receipts	506,500	568,301	61,801	461,700	644,985	183,285
DISBURSEMENTS						
Salaries	367,350	366,071	1,279	337,606	337,324	282
Office Expenditures:	27,300	22,848	4,452	25,850	24,531	1,319
Equipment	9,300	4,810	4,490	9,400	7,136	2,264
Mileage and training	12,530	10,075	2,455	11,895	10,824	1,071
Building Expenses	40,000	7,596	32,404	12,300	8,978	3,322
Medical	19,400	19,471	(71)	14,900	17,670	(2,770)
Contracted Services:	61,700	52,184	9,516	43,700	58,479	(14,779)
Emergency Func	11,700	7,292	4,408	5,000	0	5,000
Other	29,150	24,890	4,260	28,800	27,698	1,102
Total Disbursements	578,430	515,237	63,193	489,451	492,640	(3,189)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(71,930)	53,064	124,994	(27,751)	152,345	180,096
CASH, JANUARY 1	554,580	554,580	0	402,235	402,235	0
CASH, DECEMBER 31	482,650	607,644	124,994	374,484	554,580	180,096
<u>COLLECTOR'S TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	16,000	17,330	1,330			
Interest	200	77	(123)			
Other	0	300	300			
Total Receipts	16,200	17,707	1,507			
DISBURSEMENTS						
Collector	4,000	3,684	316			
Total Disbursements	4,000	3,684	316			
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,200	14,023	1,823			
CASH, JANUARY 1	2,140	2,140	0			
CASH, DECEMBER 31	14,340	16,163	1,823			
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Interest	0	37	37	175	111	(64)
Total Receipts	0	37	37	175	111	(64)
DISBURSEMENTS						
Equipment	4,000	3,861	139	0	0	0
Total Disbursements	4,000	3,861	139	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	(3,824)	176	175	111	(64)
CASH, JANUARY 1	7,086	7,086	0	6,975	6,975	0
CASH, DECEMBER 31	3,086	3,262	176	7,150	7,086	(64)

Exhibit B

MONTGOMERY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2003			2002			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	1,000	6,398	5,398	4,000	8,225	4,225
Total Receipts	1,000	6,398	5,398	4,000	8,225	4,225
DISBURSEMENTS						
Law Library	9,811	3,846	5,965	11,425	6,839	4,586
Total Disbursements	9,811	3,846	5,965	11,425	6,839	4,586
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,811)	2,552	11,363	(7,425)	1,386	8,811
CASH, JANUARY 1	8,811	8,811	0	7,425	7,425	0
CASH, DECEMBER 31	0	11,363	11,363	0	8,811	8,811
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	150	227	77	600	289	(311)
Total Receipts	150	227	77	600	289	(311)
DISBURSEMENTS						
Circuit Clerk	4,263	1,393	2,870	5,198	774	4,424
Total Disbursements	4,263	1,393	2,870	5,198	774	4,424
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,113)	(1,166)	2,947	(4,598)	(485)	4,113
CASH, JANUARY 1	4,113	4,113	0	4,598	4,598	0
CASH, DECEMBER 31	0	2,947	2,947	0	4,113	4,113
<u>DIVISION II INTEREST FUND</u>						
RECEIPTS						
Interest	300	144	(156)	340	877	537
Total Receipts	300	144	(156)	340	877	537
DISBURSEMENTS						
Division II	0	0	0	0	1,134	(1,134)
Total Disbursements	0	0	0	0	1,134	(1,134)
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	144	(156)	340	(257)	(597)
CASH, JANUARY 1	15,646	15,646	0	16,370	15,903	(467)
CASH, DECEMBER 31	\$ 15,946	15,790	(156)	16,710	15,646	(1,064)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Montgomery County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Juvenile Assessment Fund	2003 and 2002
Reserve Fund-General Revenue	2003
Collector's Tax Maintenance Fund	2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Capital Improvements Fund	2003 and 2002
General Revenue Fund	2003
Health Center Fund	2002
Division II Interest Fund	2002

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 2003 and 2002, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 2003 and 2002, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

3. Prior Period Adjustment

The Juvenile Assessment Fund's cash balance of \$3,951 at January 1, 2002, was not previously reported but has been added.

The County Employee Retirement Fund's cash balance of \$3,915 at January 1, 2002 was previously reported but has been removed from the financial statements.

4. Contingent Liability

As of December 31, 2003, the county's legal counsel indicated that the county is currently named in a suit involving the civil rights of a prisoner. The county's legal counsel indicated if the plaintiff prevails, the estimated potential liability to the county could be approximately \$300,000, but that recovery by plaintiff is believed to be unlikely.

Supplementary Schedule

Schedule

MONTGOMERY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Childre	ERS045-4170	\$ 7,874	0
		ERS045-3170W	20,984	6,993
		ERS045-2170	0	19,699
	Program Total		28,858	26,692
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development -				
14.228	Community Development Block Grants/State' Program	2001-PF-17	18,664	9,300
U.S. DEPARTMENT OF JUSTICE				
Passed through Missouri Sheriff's Association				
Cape Girardeau County Sheriff's Office				
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistanc Discretionary Grants Program	SD-2002-10	39,408	42,849
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Constructior	BRO-070(12)	253,046	10,248
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,000	1,028
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	305	0

Schedule

MONTGOMERY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety			
83.552	Emergency Management Performance Grants	N/A	11,214	7,089
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects			
	State and Local Childhood Lead Poisoning Preventior	ERS146-3170L	925	0
	and Surveillance of Blood Lead Levels in Childre	ERS146-2170L	0	365
	Program Total		925	365
93.268	Immunization Grants	PGA064-3170A	20,207	0
		PGA064-2170A	0	15,763
	Program Total		20,207	15,763
93.283	Centers for Disease Control and Prevention - Investigations and Technicæ	DH030095001	6,700	0
	Assistance			
	Department of Social Services -			
93.556	Promoting Safe and Stable Familie	N/A	1,274	3,210
93.563	Child Support Enforcemen	N/A	56,463	50,417
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-3170C	2,180	0
		PGA067-2170C	0	2,000
	Program Total		2,180	2,000
93.994	Maternal and Child Health Services Block Grant			
	to the States	ERS146-4170M	3,758	0
		ERS146-3170M	11,532	3,787
		ERS146-2170M	0	11,244
	Program Total		15,290	15,031
	Total Expenditures of Federal Award:		\$ 455,534	183,992

*The CFDA number for this program changed to 97.036 in October 2003

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedul

Notes to the Supplementary Schedule

MONTGOMERY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Montgomery County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of the property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2003 and 2002.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Montgomery County, Missouri

Compliance

We have audited the compliance of Montgomery County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Montgomery County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002. However, the results of our auditing procedures disclosed

instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as findings number 03-1 and 03-2.

Internal Control Over Compliance

The management of Montgomery County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings number 03-1 and 03-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information and use of the management of Montgomery County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 8, 2004 (fieldwork completion date)

Schedule

MONTGOMERY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2003 AND 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

03-1.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Missouri Sheriff's Association
Federal CFDA Number:	16.580
Program Title:	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
Pass-Through Entity	
Identifying Number:	SD-2002-10
Award Years:	2003 and 2002
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-070(12)
Award Years:	2003 and 2002
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audit of States, Local Governments, and Non-profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county's procedures to track federal awards for preparation of the SEFA should be improved. For the years ended December 31, 2003 and 2002, the county's SEFA did not include expenditures for some grants and expenditures related to other grants were misstated. In addition, the Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program was reported under the wrong CFDA number. Total federal expenditures were understated by approximately \$45,000 and \$30,000 for 2003 and 2002, respectively. For instance, 2003 expenditures reported for the Highway Planning and Construction Program did not include approximately \$28,000 paid to the county for work performed by the Road and Bridge Department. Some of the other errors involved grants managed by other offices, such as the Health Center, Emergency Management, and Child Support Enforcement. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission and the County Clerk prepare complete and accurate schedules of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budgets. The County Commission should take steps to ensure other offices properly track and report federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will educate ourselves in the proper procedures and will try to make the schedule more accurate in the future.

03-2.

Procurement of Professional Services Contract

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-070(12)
Award Year:	2003 and 2002
Questioned Costs:	\$21,638

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction Program. This project is 80 percent federally funded.

The county incurred engineering costs of \$27,048 for project BRO-070(12) during the two years ended December 31, 2003. There was no documentation that the County Commission considered other engineering firms when procuring these services. The County Commission indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects.

Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, at least three firms should be considered. The firms should be evaluated based upon specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have questioned costs of \$21,638, which is the federal share of engineering costs paid during the two years ended December 31, 2003.

WE RECOMMEND the County Commission resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The Montgomery County Commission would like it stated for the record, that even though the county incurred engineering costs of \$27,048 for project BRO-070(12) during the two years ended December 31, 2003, when the current commission was serving office, the current standing commission did not have a part in the selection process of the engineering firm. The current standing Montgomery County Commission understands the process of the bidding procedures for products and services when cost will exceed \$4,500 and has in the past, and will continue to observe proper procedures.

In addition, the current Montgomery County Commission is aware of necessary procedures that must be followed when procuring engineering or architecture services. We have in the past and will continue to seek a minimum of three "statements of qualifications" from firms interested in providing engineering or architecture services to Montgomery County. As this is not a bidding process the firm most advantageous to the county will be selected by evaluating things such as, but not exclusive to, similar projects completed by the firm, geographical location within proximity to Montgomery County by the firm, past business conducted with the firm, and referenced recommendations from past customers of the firm.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MONTGOMERY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MONTGOMERY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MONTGOMERY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Montgomery County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 8, 2004. We also have audited the compliance of Montgomery County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 8, 2004.

Because the Montgomery County Senate Bill 40 Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and county board referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Montgomery County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Overspending Budgets
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Actual expenditures were in excess of approved budgeted expenditures for the following funds during the years ended December 31, 2003 and 2002:

<u>Fund</u>		<u>Year Ended December 31,</u>	
		<u>2003</u>	<u>2002</u>
General Revenue Fund	\$	21,481	0
Capital Improvements Fund		9,500	30,983
Division II Interest Fund		0	1,134

The County Commission approved a \$200,000 transfer from the General Revenue Fund to the Reserve Fund-General Revenue in 2003 although this transfer was not budgeted. The budget for the Capital Improvements Fund did not contain enough categories to appropriately classify disbursements. Expenses for repairs and improvements were not budgeted and were charged to the equipment line item, and as a result, the budget was exceeded. Although the County Commission reviewed budget to actual reports, expenditures were not appropriately classified and therefore, the reports were not an effective monitoring tool. The Division II Interest Fund is held outside of the county treasury. Although no expenditures were budgeted in 2002, the Associate Circuit Court purchased a computer and other computer related products and did not amend the budget.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the County Commission, County Clerk, and Associate Circuit Court ensure all expenditures are appropriately classified in the budgets and refrain from authorizing disbursements in excess of budgeted amounts. If the county receives additional funds, which could not be estimated when the budget was adopted, the county should amend its budget by following the procedures required by Section 50.622, RSMo 2000.

AUDITEE'S RESPONSE

The County Commission and County Clerk responded as follows:

In the future, we will amend budgets as necessary.

The Associate Circuit Judge responded as follows:

No expenditures were budgeted because no expenditures were anticipated. Expenditures are not made from this fund frequently.

2. County Expenditures

The county does not adequately review fuel charges and does not have a written policy on whether a road and bridge employee should be provided a vehicle at the county's expense. In addition, Sheriff department employees have been provided meals at no cost from the jail.

- A. The county owns numerous vehicles and spent approximately \$100,000 on fuel for Sheriff's department vehicles and the road and bridge fuel tanks, for the year ended December 31, 2003. The Road and Bridge department does not maintain vehicle logs. The Sheriff's office maintains daily activity reports that indicate the officer, the beginning mileage, the ending mileage, and the purpose of the mileage for the day; however, such reports do not indicate the operation and maintenance costs of the patrol cars.

Logs are necessary to document appropriate use of the vehicles, support fuel charges and should include the date, vehicle operator, purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by the County Commission or applicable official to ensure all mileage is recorded and the vehicles are being properly utilized. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

- B. While the Sheriff's Chief Deputy indicated that he matches fuel tickets to invoices, the county was unable to locate some fuel tickets to support the invoices that were paid. By failing to match fuel tickets to invoices, the Sheriff's department may not be aware of what fuel purchases they are actually paying for and whether the charges are reasonable.
- C. One road and bridge employee is allowed to use a county vehicle to commute to and from work. The County Commission indicated this employee is on-call 24 hours a day for emergency situations.

Internal Revenue Service (IRS) reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs are not maintained for this vehicle and are not required by the county. Procedures have not been established to ensure IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

- D. Sheriff's department employees have been provided meals at no cost from the jail. The Sheriff indicated that employees who are on duty at the jail during meal times are provided meals; however, documentation of the number of meals provided to employees is not maintained. In addition, the Sheriff indicated that other county employees can purchase meals from the jail for \$2. While the Sheriff's department calculated an average cost per meal of approximately \$1.25, the salaries of the cooks were not included in this calculation. We calculated the average cost per meal to be approximately \$2.16 during September 2003. The county's personnel policy does not address whether employees of the sheriff's department are to be provided meals by the county and does not indicate the amount other county employees should pay for meals purchased from the jail. A written personnel policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings.

WE RECOMMEND The County Commission:

- A. Require the road and bridge and sheriff's departments to maintain usage logs on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, fuel usage should be compared to the number of miles driven to evaluate reasonableness and the fuel efficiency of the county's vehicles, and should be reconciled to fuel purchases.

- B. Ensure adequate documentation is maintained to support invoices paid.
- C. Ensure the county complies with IRS guidelines for reporting fringe benefits related to county-owned vehicles.
- D. Consult with the Sheriff and determine whether sheriff's department employees should be provided meals at county expense and if necessary, update the county personnel policy. In addition, the County Commission should periodically determine the cost of providing meals and adjust the amount charged to county employees accordingly.

AUDITEE'S RESPONSE

The County Commission and County Clerk responded as follows:

- A. *Montgomery County has a policy currently in place that prohibits personal use of county vehicles.*

After conferring with the County Sheriff, it is the conclusion of this commission that the Sheriff's Department currently has in place a system where odometers of vehicles are logged when an officer starts duty with that vehicle. There is also a policy where fuel is logged. The Chief Deputy will revise these two procedures and will adjust logging procedures to one system. The Commission will suggest to the Road and Bridge Overseer that a procedure be implemented within a couple of months to comply with the Auditors recommendation to log miles and fuel for that department.

- B. *We have a system in place to check for fuel tickets. We will try to monitor this better.*

- D. *We have started charging county employees \$2.25 for meals purchased from the jail. We will monitor the cost annually to ensure the county's costs are covered. For security reasons and ratio of inmates to personnel, jail employees can not leave for lunch and are discouraged from carrying outside objects into the jail. Within a couple of months, we will update the policy to address this situation.*

3.	Banking Practices
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The county has not established procedures to maximize interest earnings and has not entered into written agreements with some of its depository banks. A review of the county's banking practices noted that the county currently maintains 12 money market accounts, 3 checking accounts, and 7 certificates of deposit at six different financial institutions located throughout the county. According to the County Commission, they use different banks throughout the county to spread county business to local banks. The county has not entered into depository agreements with four of six banks.

The six financial institutions pay significantly different interest rates on the county's deposits. As of December 31, 2003, the money market interest rates ranged from .5 percent to 1.36 percent. At that date, approximately \$885,600 of county monies were invested in accounts earning interest rates of .50 to .60 percent, while approximately \$287,600 was earning an interest rate of 1.36 percent.

To ensure the quality of banking services and ensure interest earnings received by the county are maximized, the county should consider soliciting proposals for its banking services. In addition, the county should enter into written agreements with its depository banks. All such agreements should require that deposits in excess of Federal Depositary Insurance Corporation (FDIC) limits be secured by bank assets pledged to the county. In addition, the bank service agreement provisions should include, but not be limited to, any bank fees for check printing, checking account services, safe deposit boxes, interest charges for borrowed funds, and interest rates for invested funds. A written depository contract helps both the county and the bank understand and comply with the requirements of any banking arrangement.

When selecting the depository bank, the county should also consider reducing the number of accounts currently maintained by the County Treasurer. A large number of accounts causes additional record keeping and increases the likelihood that errors will occur in recording transactions. Overall efficiency could be improved by reducing the number of accounts to as few accounts and investment vehicles as needed. Consolidating existing accounts would also allow funds to be pooled for increased investment opportunities.

WE RECOMMEND the County Commission establish procedures to maximize interest earnings whenever possible. In addition, the County Commission, along with the County Treasurer, should reduce the number of bank accounts maintained to as few as needed to efficiently account for the county's monies. Also, the County Commission should enter into written agreements with its depository banks.

AUDITEE'S RESPONSE

The County Commission, County Clerk, and County Treasurer responded as follows:

We want to continue to use all six banks in the county. The county is not incurring banking fees for any of these accounts. The County Treasurer will consider consolidating some accounts held at the same bank. As of April 2004, there was over \$1,000,000 in CDs earning between 1.15 percent and 3 percent.

The County Treasurer is in the process of having depository agreements written up with the other four banks. As of August 6, 2004, the Treasurer has made follow-up contacts with the banking establishments. They are researching what steps they can observe to fulfill her request so Montgomery County may comply with auditing requirements.

4. Public Administrator's Salary

There was no documentation from legal counsel supporting whether the Public Administrator should receive the minimum salary provided by state law or a percentage of the minimum. The current Public Administrator, who took office in January 2001, elected to be placed on salary rather than a fee basis. Section 473.742, RSMo, provides a salary scale based on the average number of open letters in the two years preceding the term when the salary is elected. The County Commission set the Public Administrator's salary at 90 percent of this amount to correspond with the percentage of the maximum salaries provided by state law paid to other officials for their respective offices.

Without a documented legal opinion, it is not clear whether the amount paid to the Public Administrator is in accordance with state law.

WE RECOMMEND the County Commission consult with legal counsel and determine whether the Public Administrator's salary is in accordance with state law.

AUDITEE'S RESPONSE

The County Commission and County Clerk responded as follows:

We will consult with legal counsel.

5. Fixed Asset Procedures and Controls

The County Commission or its designee is responsible for maintaining a complete and detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. While the County Clerk maintains a computerized inventory listing of fixed assets held by county officials, the fixed asset listings have not been updated, nor has a physical inventory been completed since December 1997. The county has not developed a policy to define who is responsible for inventory records, the procedures to be followed, and the content of the records. During our review of equipment purchases, we noted ten items, totaling approximately \$471,400, were not recorded on the county's general fixed asset listing or tagged as county owned property. These items include two motor graders, three police cars and two dump trucks.

Section 49.093, RSMo. 2000, provides the county officer or the county officer's designee of each county department shall annually inspect and inventory all county property used by such department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory taken, an explanation of any material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

Adequate general fixed assets records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets and identify obsolete assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

Similar conditions were noted in prior reports.

WE AGAIN RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition, all fixed asset purchases and dispositions should be recorded as they occur, purchases should be reconciled to additions on the inventory records, and purchased items should be tagged or identified as county-owned property upon receipt.

AUDITEE'S RESPONSE

The County Commission and County Clerk responded as follows:

The Commission hired someone to inventory all county property, tag the property, and update the county's records. An updated inventory listing should be available in August. We plan to print listings for each official to review and update semi-annually. Fixed asset purchases will be added to the listing as they occur.

6.	Apportionment of Railroad and Utility Taxes
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The County Clerk made errors in calculating railroad and utility taxes distributed to the various school districts in Montgomery County during the years ended December 31, 2003 and 2002. The County Clerk did not use current information to calculate the 2003 and 2002 apportionments. These errors resulted in incorrect payments to the various school districts. The following table indicates the total amounts over or (under) paid to the various school districts for 2003 and 2002 tax collections:

<u>School District</u>	<u>Over (Under) Paid</u>
Montgomery County R-I	\$ 17,483
Montgomery County R-II	(10,953)
Gasconade County R-I	(6,583)
Audrain Co. R-VI	43
Lincoln County R-I	1
Lincoln County R-III	9

A similar condition was noted in our prior report.

WE AGAIN RECOMMEND the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these errors.

AUDITEE'S RESPONSE

The County Clerk responded as follows:

We have contacted the Missouri Department of Elementary and Secondary Education and the various school districts to reallocate the monies properly.

7. Associate Circuit/Probate Division's Controls and Procedures
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Accounting duties are not adequately segregated and receipts are not deposited timely. The Associate Circuit/Probate Division processed receipts for civil cases, criminal cases, traffic tickets, bonds and probate cases. Receipts totaled approximately \$433,000 and \$481,000 for the years ended December 31, 2003 and December 31, 2002, respectively.

- A. Although there are two individuals responsible for receiving, depositing, recording, reconciling, and disbursing monies, accounting duties are not adequately segregated. Because of this lack of segregation, one individual could prepare the daily cash reconciliation and make the deposit without review from the Associate Circuit/Probate Division Judge or the other clerk. Associate Circuit/Probate Division personnel indicated that cashier reports are reviewed weekly by the Associate Circuit/Probate Division Judge, however these reviews are not documented.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by having one clerk prepare the daily cash reconciliations and deposit the monies and having the other clerk vouch the daily closeout and prepare the bank reconciliation. If proper segregation of duties cannot be achieved, at a minimum, periodic independent reviews of the records should be performed and documented.

- B. Receipts are deposited approximately once a week. A cash count conducted on January 8, 2004 noted approximately \$7,774 on hand, representing receipts dating back to January 2, 2004 and including approximately \$913 in cash.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when the accumulated receipts exceed \$100.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the Associate Circuit/Probate Division:

- A. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.
- B. Ensure that deposits are made intact daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

The Associate Circuit Judge responded as follows:

- A. *The clerks work together on deposits and handling money coming through the office. Vacations, illness, etc. often result in only one clerk being in the office on a given day. Due to my judicial duties, which take me away from Montgomery County a minimum of four days each month, I am not always available to review deposits on a daily basis. As a long time member of the Circuit Court Budget Committee, I am well aware of the problems that can arise when there is a dishonest clerk in the system; for that reason, I have been very careful to hire clerks of the highest level of honesty and integrity. Since they share the duties of handling money and reconcile receipts on a daily basis as a joint effort (when both are here) and since not one penny has ever been found missing – my response is that we are doing the best we can with the personnel allotted to us by the state. In the past, I have randomly examined the cashier's sessions, and have been reviewing them on a weekly basis for the past year or so.*
- B. *When the court has a criminal docket, there are often up to 100 people present to pay fines and costs. Not surprisingly, most of those people do not bring the exact amount of money needed to pay their fines and costs; which means we need cash on hand to make change. Would a retail store start the day with empty cash registers? My experience on the Circuit Court Budget Committee dealing with clerks who steal tells me that having a change fund is an invitation to theft or abuse. Therefore, we do not and will not have a change fund to provide "start up money" for court sessions.*

AUDITOR'S COMMENT

- B. Maintaining a change fund at a constant amount would provide a better control than allowing various amounts of cash to accumulate for several days.

8. Sheriff's Fee Account Controls and Procedures

An open-items listing is not prepared and reconciled to the cash balance. Sheriff's office employees are being paid mileage to transport prisoners in county-owned vehicles.

The Sheriff maintains a Fee Account for the receipt of monies from bonds, gun permits, garnishments, civil and criminal paper, and trailer inspections. The Sheriff's office received

monies totaling approximately \$233,000 and \$366,000, during the years ended December 31, 2003 and 2002, respectively.

- A. An open-items (liabilities) listing is not prepared and reconciled to the cash balance on a monthly basis. The reconciled cash balance as of December 31, 2003 was \$6,242. Fees totaling \$5,159 were turned over to the County Treasurer in January 2004, which indicates \$1,083 of unknown open items. A listing of liabilities should be prepared and reconciled to the cash balance on a monthly basis to ensure accounting records are in balance and all monies in the account are properly identified. Differences between outstanding items and cash balances should be investigated and resolved.
- B. Section 57.430, RSMo 2000, allows the County Commission to reimburse the Sheriff and his deputies actual and necessary expenses for each mile traveled in the performance of their official duties in connection with the investigation of persons accused of or convicted of a criminal offense. However, the Sheriff's office uses county-owned vehicles to transport prisoners on county time and the state reimburses the Sheriff's office 34.5 cents per mile for each officer, guard, and prisoner, \$8 per day for the Sheriff or other officer and \$6 per day for each guard to and from the correctional facility.

The Sheriff's office deposits the state's reimbursement check into the Fee Account. The \$8 Sheriff's per diem and the prisoner mileage reimbursement is remitted to the County Treasurer. The Sheriff's office disburses the officer and guard mileage reimbursement and the \$6 per diem to the appropriate individuals without approval from the County Commission. During the two years ended December 31, 2003, the Sheriff's office paid approximately \$2,000 to deputies for transporting prisoners using a county-owned vehicle on county time. Because the county pays all costs related to transporting prisoners, any reimbursement received from the state should be deposited into the county treasury.

WE RECOMMEND the Sheriff:

- A. Prepare an open items listing on a monthly basis and reconcile it to the cash control record and to the reconciled cash balance.
- B. Ensure that officers are not receiving reimbursement for mileage when county vehicles are used to transport prisoners. In addition, ensure all reimbursements relating to transporting prisoners are remitted to the County Treasurer. Any disbursements to Sheriff employees should be paid through the normal county expenditure process, which requires the approval of the County Commission. These disbursements should be limited to actual and necessary expenses incurred.

AUDITEE'S RESPONSE

The Sheriff responded as follows:

- A. The personnel director will do this monthly.*
- B. We will turn the entire reimbursement check over to the County Treasurer.*

9. Sheriff's Inmate and Commissary Controls and Procedures

The Sheriff's office maintains an Inmate Account for the deposit of personal funds received from inmates placed in the Montgomery County jail. The Sheriff's office received inmate monies totaling approximately \$68,000 and \$37,000 during 2003 and 2002, respectively. These funds are held in trust for the inmates and may be used by inmates during commissary sales.

In addition, full-time employees of the Sheriff's office take commissary orders from inmates, and submit the orders to the Reserve Deputy Association. The Association processes the orders and delivers the items to the inmates. The Sheriff's office totals the orders, writes a check to the Reserve Deputy Association, and subtracts the purchases from the inmate's individual ledger sheet.

Receipts are not deposited timely and receipt slips are not always issued immediately upon the receipt of inmate monies. We noted several instances where inmate signatures were not obtained for distributions made from the Inmate Account. The total of the inmate monies in the Inmate Account is not reconciled to the total of the individual inmate balances. A perpetual inventory is not maintained of items purchased from vendors, items sold to inmates, and inventory balances.

- A. Receipt slips are not issued immediately upon the receipt of inmate monies. Receipt slips are not prepared until a deposit is being prepared. In addition, we noted receipt slips were not issued for some inmate monies received and deposited into the Inmate Account and some receipts were not properly recorded in the accounting records.

To adequately account for all monies received, prenumbered receipt slips should be issued immediately upon receipt for all monies received and their numerical sequence should be accounted for properly. In addition, all receipts should be recorded in the cash control records as they occur.

- B. Receipts are not deposited timely. During the months reviewed, we noted deposits ranged from four to seven times per month. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when the accumulated receipts exceed \$100.

- C. Disbursements made to inmates are authorized by the inmate's signature on their individual ledger sheet. In some instances, the monies received from an inmate may not be deposited into the bank account prior to the inmate's departure. In this situation, the actual cash or money order received is returned to the inmate. Obtaining the inmates signature is the only documentation to indicate the inmate received the monies due to them. We noted several instances where inmate signatures were not obtained for distributions made to them from their accounts.
- D. A record of each inmate's cash balance is maintained, however the total cash balance for all inmates is not reconciled to the bank balance. Reconciling these records would provide assurance that records are in balance and that sufficient monies are available for payment of liabilities.
- E. The Sheriff's office does not maintain a running inventory (perpetual inventory) of items purchased from vendors, items sold to inmates, and inventory balances. A record of what should be in the inventory should be reconciled periodically to an actual physical inventory on hand. To ensure commissary items are properly recorded and handled, purchases and sales should be compared with actual inventory on hand.

Conditions similar to A, B, C, and D were also noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Issue prenumbered receipt slips for all inmate monies immediately upon receipt and account for their numerical sequence. Record all transactions to accounting records as they occur.
- B. Ensure deposits are made intact daily or when accumulated receipts exceed \$100.
- C. Obtain inmate signatures on the individual ledger pages for all distributions.
- D. Reconcile the individual inmate balances to the bank balance monthly.
- E. Ensure perpetual inventory records are maintained and periodically reconciled to a physical inventory.

AUDITEE'S RESPONSE

The Sheriff responded as follows:

- A. *Currently, with the exception of weekends and holidays, receipt slips are issued daily and recorded into the accounting records.*
- B. *Deposits are now made daily.*

- C. *All inmate monies are deposited and disbursed by check. Inmates sign for all distributions unless a check is mailed after their release.*
- D. *A monthly reconciliation is being performed.*
- E. *The commissary inventory is maintained by the Reserve Deputy Association.*

AUDITOR'S COMMENT

- E. As county resources are used in the commissary process, appropriate accounting controls should be established.

10.	Health Center
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The Health Center Board approved expenditures in excess of the approved budgeted amounts for the year ending December 31, 2002. The Health Center does not have formal depository agreements with its depository banks, does not always record additions of fixed assets to control records, and does not publish financial statements in accordance with state law.

- A. Actual expenditures were in excess of the approved budgeted expenditures by \$3,189 for the year ending December 31, 2002. According to the Health Center Administrator, budget reports are generated monthly and provided to the board. However, the Health Center Administrator did not realize the budget needed to be amended if the budget was exceeded by a small amount.

It was ruled in State ex rel. Strong v. Cribb 364 Mo. 1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides county boards may amend the annual budget during any year in which the board receives additional funds which could not be estimated when the budget was adopted and that the board shall follow the same procedures required for adoption of the annual budget to amend the budget.

- B. The Health Center Board does not have formal depository contracts with its depository banks. A depository agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged.

- C. Additions of fixed assets are not always recorded to the fixed asset listing as they occur, property tags are not always affixed to assets when acquired, and property leased by the health center is not maintained on the fixed asset listing. During our review of fixed assets we noted two items, a network server and measuring board totaling approximately \$2,295, were not added to the fixed asset listing. Adequate general fixed assets records are necessary to secure better internal controls over the health center's property and provide a basis for determining insurance coverage.
- D. The Health Center's annual published financial statements did not include the appropriate level of detail as required by statute. Although total receipts and disbursements and beginning and ending cash balances were published, no additional details were included.

Sections 50.800 and 50.810, RSMo 2000 provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the health center's financial activities, all monies received and disbursed by the health center should be included.

WE RECOMMEND the Health Center Board:

- A. Not authorize expenditures in excess of budgeted amounts and take appropriate action when it appears budgets are going to be exceeded. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.
- B. Enter into written depositary agreements with all depositary banks.
- C. Record all additions of general fixed assets as they occur and affix property tags to assets at the time of purchase.
- D. Publish annual information for the Health Center Fund in accordance with state law.

AUDITEE'S RESPONSE

The Health Center Administrator responded as follows:

- A. *Budgets will be amended as required.*
- B. *Within a few months, we will contact both banks to resolve this situation.*
- C. *As of May 26, 2004, we have implemented policies and procedures to account for fixed assets.*
- D. *Beginning in February 2005, we will include detail as required.*

Follow-Up on Prior Audit Findings

MONTGOMERY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Montgomery County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1999.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Financial Condition

During the two years ended December 31, 1999, the General Revenue Fund's cash balances were maintained at a significantly low level, and increases in receipts were consumed by corresponding increases in disbursements. These low cash balances led to periodic cash flow problems and interfund borrowing. In addition, in 1998, the County Commission temporarily laid off some employees paid from the General Revenue Fund, however these employees were subsequently rehired or replaced. The County Commission had not made any significant long term reductions in discretionary disbursements or increases in other receipts during the two years ended December 31, 1999 as recommended in our prior audit report.

Recommendation:

The County Commission consider various alternatives of increasing receipts and/or reducing disbursements to ensure that the General Revenue Fund's financial condition improves and is able to maintain an adequate operating cash reserve.

Status:

Implemented. In 2001 and 2000 the County Commission authorized a \$160,000 loan from the Capital Improvements Fund to the General Revenue Fund to cover various county expenditures. In 2001, county voters approved an additional ½ cent General Revenue Fund sales tax which became effective in 2002. The General Revenue Fund repaid the loan from the Capital Improvements Fund with interest during 2002. During 2003, the county transferred \$200,000 from the General Revenue Fund to the Reserve Fund-General Revenue.

2. Apportionment of Railroad and Utility Taxes

The county made errors when calculating the apportionment of railroad and utility taxes in 1999, 1998, and 1997. These errors resulted in incorrect payments to the various school districts.

Recommendation:

The County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

Status:

Partially Implemented. The county has corrected the errors noted in 1999, 1998, and 1997. However, during the two years ended December 31, 2003, the County Clerk miscalculated the railroad and utility apportionments, which resulted in incorrect payments to the various school districts. See MAR finding number 6.

3. Fixed Assets

- A. A computerized listing of general fixed assets was provided to each office holder, who was then responsible for conducting the physical inventory on their respective office. The County Clerk indicated that his staff performed procedures to verify the accuracy of the physical inventories to the fixed asset records. However, the last physical inventory was completed in 1997.
- B. Additions and deletions of fixed assets were not recorded in the property control records as they occurred. The fixed assets purchased during the two years ended December 31, 1999 were not included on the fixed asset records. In addition, fixed asset purchases per the expenditure records were not reconciled to the additions per the inventory records.
- C. Fixed assets were not numbered tagged or otherwise identified as county property immediately upon receipt.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition all general fixed assets should be tagged or identified as county-owned property.

Status:

Not implemented. See MAR finding number 5.

4. Circuit Clerk's Controls and Procedures

- A. Receipts were not deposited on a timely basis. During the two months reviewed, receipts were deposited approximately six times per month.

- B. Formal bank reconciliations for the fee account were not prepared on a timely basis. As of June 2000, bank reconciliations had not been prepared since June 1999.

Recommendation:

The Circuit Clerk:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Ensure formal bank reconciliations are prepared on a monthly basis. Any differences should be investigated in a timely manner.

Status:

A&B. Implemented.

5. Associate Circuit/Probate Division's Controls and Procedures

- A. Receipts were not deposited timely. Deposits were made approximately five times per month.
- B. Accounting duties were not adequately segregated. Two individuals were primarily responsible for receiving, disbursing and depositing monies, preparing banks reconciliations, and maintaining accounting records. There were no documented reviews of the accounting records performed by the Associate Circuit/Probate Division Judge.

Recommendation:

The Associate Circuit/Probate Division:

- A. Ensure that deposits are made intact daily or when accumulated receipts exceed \$100.
- B. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.

Status:

A&B. Not implemented. See MAR finding number 7.

6. Prosecuting Attorney's Accounting Controls and Procedures

- A. Receipts were not always deposited timely and intact. Also, money orders and cashier's checks for administrative fees were not restrictively endorsed immediately upon receipt.
- B. The Prosecuting Attorney required restitution to be made in the form of either money order or cashier's check made payable to the merchant. On April 12, 2000, the Prosecuting Attorney was holding over \$5,000 in checks and money orders, some of which had been in the Prosecuting Attorney's possession for over four months. In addition, the Prosecuting Attorney did not obtain documentation from merchants when restitution checks were turned over.
- C. An adequate system to control for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, had not been established.
- D. The Prosecuting Attorney had not established a formal policy specifying when unpaid bad check complaints should be filed as a court case. Collection efforts were not always made timely and there was no clear policy of follow-up collection efforts to be taken or timing of the efforts.

Recommendation:

The Prosecuting Attorney:

- A. Deposit all monies intact daily or when accumulated receipts exceed \$100. Also, restrictively endorse all money orders and cashier checks immediately upon receipt.
- B. Remit restitution received to victims more timely and obtain documentation from the vendor when the checks are turned over to them.
- C. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.
- D. Maintain a complete and accurate listing of delinquent bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such complaints, including when to file as court cases.

Status:

- A. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- B-D. Implemented.

7. Sheriff's Controls and Procedures

- A. Receipt slips were not issued for prisoner monies received and deposited into the Inmate Account or held in cash for INS inmates.
- B. Monies received from prisoners were not always deposited into the Inmate Account on a timely basis or intact. In addition, a reconciliation between receipts and deposits was not performed.
- C. Disbursements made to inmates were authorized by the inmate's signature on their individual ledger sheet. There were several instances where inmate signatures were not obtained for distributions made to them from their accounts.
- D. An open-items list of individual prisoner balances was not periodically prepared. Additionally, an open-items list or the control ledger was not reconciled to the bank balance and cash on hand.
- E. Accounting duties were not adequately segregated. Two individuals were primarily responsible for receiving, disbursing, and depositing monies, preparing bank reconciliations, and maintaining the accounting records. One clerk was stationed in the Sheriff's main office and handled activity in the Fee Account and the other clerk was stationed in the jail and handled activity in the Inmate Account and Reserve Account.

Recommendation:

- A. Issue prenumbered receipt slips for all prisoner monies received and account for the numerical sequence.
- B. Make deposits intact daily or when accumulated receipts exceed \$100 and ensure that amounts spent at the commissary by inmates are transferred intact (by check from the Inmate Account for regular inmates and by cash from INS envelopes for INS inmates) into the Reserve Account. In addition, a reconciliation between receipts and deposits (in total and by composition) should be performed. Receipts should not be used for cashing INS money orders, transferring commissary sales, or refunding inmate cash balances. Any refunds to non-INS inmates should be made by check.
- C. Obtain inmate signatures on the individual ledger pages for all distributions.
- D. Prepare a monthly open-items list and reconcile the list to the control ledger total and to cash on hand and in the bank.
- E. Adequately segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.

Status:

A-C. Not Implemented. See MAR finding number 9.

D&E Not Implemented. See MAR finding number 8.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MONTGOMERY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1818, the county of Montgomery was named after Richard Montgomery, a Revolutionary War General. Montgomery County is a county-organized, third-class county and is part of the 12th Judicial Circuit. The county seat is Montgomery City.

Montgomery County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 455 miles of county roads and 100 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 11,537 in 1980 and 12,136 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2003	2002	2001	2000	1985* 1980**
		(in millions)				
Real estate	\$	88.4	87.9	84.2	75.7	49.6 27.3
Personal property		30.1	31.6	32.8	29.0	9.8 8.4
Railroad and utilities		29.6	29.6	31.2	29.6	24.9 14.0
Total	\$	148.1	149.1	148.2	134.3	84.3 49.7

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Montgomery County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund	\$.2612	.2561	.2651	.2589
Special Road and Bridge Fund *		.5888	.5868	.5769	.5843
Health Center Fund		.1300	.1300	.1478	.1500
Senate Bill 40 Board Fund		.1000	.1000	.0985	.1000

* The county retains all tax proceeds from areas not within road districts. The county has two special road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2004	2003	2002	2001
State of Missouri	\$ 46,216	44,000	44,000	39,944
General Revenue Fund	418,113	375,830	387,072	339,329
Special Road and Bridge Fund	873,385	831,439	815,191	747,371
Assessment Fund	84,888	80,121	80,060	72,642
Health Center Fund	198,461	190,137	213,921	196,989
Senate Bill 40 Board Fund	151,842	144,564	142,583	131,316
School districts	5,419,182	5,048,300	5,029,995	4,580,408
Tax Maintenance Fund	19,408	8,452	0	0
Ambulance district	394,923	373,549	367,006	336,736
Fire protection district	262,929	257,809	261,899	223,560
Hospital	83,816	83,440	81,216	64,971
Tri-County Levee District	174,751	178,347	281,595	146,256
Surtax	150,873	135,547	138,957	129,946
TIF District	33,564	31,580	31,548	12,373
Cities	104,172	101,888	96,275	89,238
County Clerk	2,595	2,320	2,237	2,135
County Employees' Retirement	57,862	54,941	51,417	44,295
Other	870	1,431	1,076	526
Commissions and fees:				
General Revenue Fund	133,889	124,544	127,467	110,487
Total	\$ 8,611,738	8,068,241	8,153,513	7,268,521

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),				
	2003	2002	2001	2000	
Real estate	92.2	90.4	90.9	92.6	%
Personal property	87.5	88.6	88.7	90.7	
Railroad and utilities	99.7	100.0	99.2	100.0	

Montgomery County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	%
General	\$.0050	None	50	
General	.0050	2008	None	
Capital improvements	.0050	2014	None	
Dispatching	.0025	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
Charles W. Korman, Presiding Commissioner		25,560	25,560	25,560	24,372
Rich Daniels, Associate Commissioner		23,760	23,760	23,760	
John Noltensmeyer, Associate Commissioner		23,760	23,760	23,760	
Dorsey McCoy, Associate Commissioner					22,572
Vincent Eldringhoff, Associate Commissioner					22,572
Sheila See, Recorder of Deeds		36,000			
Pamela Cartee, County Clerk		36,000			
William Waddell, County Clerk			36,000	36,000	34,200
Kelly Broniec, Prosecuting Attorney		42,300	42,300	42,300	40,500
Robert Davis, Sheriff		39,600	39,600	39,600	36,000
Donna Huenefeld, County Treasurer		26,640			
Kermit Ellis, County Treasurer			26,640	26,640	25,308
Dave Colbert, County Coroner		10,800	10,800	10,800	
Johnny B. Fry, County Coroner					6,000
Ann Scarlet, Public Administrator		18,000	18,000	18,000	
LeNell Britt, Public Administrator (1)				10,710	8,530
Anita Sullivan, County Collector, year ended February 28 (29),	36,000				
Robert L. Schmidt, County Collector, year ended February 28 (29),		36,000	36,000	36,000	
Jerome Overkamp, County Assessor (2), year ended August 31,		36,900	36,900	38,900	38,900

(1) Includes fees received from probate cases.

(2) Includes \$900 annual compensation received from the state.

State-Paid Officials:

Patricia Bufka, Circuit Clerk	47,300	47,300	47,300	46,127
Roy L. Richter, Associate Circuit Judge	96,000	96,000	96,000	97,382

The county entered into a lease agreement with the Montgomery County, Missouri Public Facilities Authority, a not-for-profit corporation on August 1, 1994. The terms of the agreement called for the corporation to issue bonds to be used to construct the Montgomery County Jail and

for the bank to lease the jail back to the county for payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Fund from sales tax revenues. The term bonds portion of the original issue was refinanced in June 1998. The bonds are scheduled to be paid off in 2015. The remaining principal and interest due on the bonds at December 31, 2003 was \$3,891,618.

The county entered into a lease agreement with Firststar Bank to lease purchase the Courthouse Annex Building on July 17, 2000. The terms of the agreement called for the bank to purchase the building and the bank to lease the building back to the county for payments totaling the principal and interest on the purchase price of the building. Payments are made from the Capital Improvements Fund from sales tax revenues. The lease purchase is scheduled to be paid off in 2009. The remaining principal and interest due on the lease-purchase agreement at December 31, 2003 was \$179,398.